

Homeownership Program Bulletin

August 25, 2005

Program Bulletin #2005-22

To: CalHFA Approved Lenders

ENHANCEMENT TO THE BLOCK PROGRAM Effective August 26, 2005

BLOCK Program Description:

CalHFA is pleased to announce the addition of the Extra Credit Teacher Program (ECTP) and the *interest only* PLUSSM programs to the Builder-Lock (BLOCK) Program. The BLOCK program allows for-profit developers, through CalHFA-approved Lenders, to lock the first mortgage interest rate on any day for a pool of first mortgage funds for 6, 9, or 12 months forward for a commitment fee of 0.5%, 1.5%, or 2% respectively. Nonprofit developers organized under section 501(c)(3) of the IRS code intending to develop housing for CalHFA's low-income borrowers may secure 12- or 18-month forward commitments for 1% or 1.5% respectively. BLOCK forward commitments may only be used for new construction housing.

A BLOCK forward commitment locks only the interest rate on the pool of funds for the first-mortgage products available on the date of the commitment for the maximum term purchased. Current first-mortgage products include:

- 30-year fixed-rate below-market-interest-rate (BMIR) CalHFA conventional loan of up to 100% of loan-to-value (LTV).
- 30-year fixed-rate BMIR Government (FHA, VA and USDA).
- 30-year fixed-rate BMIR for ECTP.
- 35-year fixed-rate BMIR for *interest only* PLUSSM.

Reserving Loans in a BLOCK Forward Commitment:

As each loan is reserved for a specific borrower at a specific address in the Lender Access System against the commitment, the Lender will identify the product or program intended (e.g. conventional, FHA, *interest only* PLUSSM, ECTP). Depending on the property location (high-cost/non-high-cost area) and borrower income (low or moderate), or the programs (*interest only* PLUSSM, ECTP or Affordable Housing Partnership Program [AHPP]) selected, the system will establish the interest rate for the first mortgage from the array of rates established when the commitment number was assigned. At the same time the system will permit the Lender to reserve such subordinate loans, as may be available at the time, at the then current rate and terms.

Each loan reserved against a BLOCK forward commitment must meet CalHFA's programmatic and Tax Act compliance requirements, as well as underwriting /property guidelines in effect on the date it is reserved. For CalHFA conventional loan underwriting guidelines see Homeownership Program Bulletin #2005-17. For CalHFA guidelines on manufactured homes, see Program Bulletin #2005-20. For condominiums, see Homeownership Program Bulletin #2005-18. For FHA/VA and USDA loans, Lenders are to comply with the guidelines of those mortgage insurers or guarantors that are in effect at the time of the CalHFA loan reservation.

The date of the reservation for a specific borrower at a specific address also determines the borrower eligibility and the funding access of such subordinate down payment and/or closing costs assistance loan programs. Programmatic requirements, Tax Act compliance, underwriting/property guidelines, and subordinate loan products are subject to change during the term of the first-mortgage BLOCK forward commitment term. Any loans reserved under a BLOCK forward commitment that are cancelled and re-reserved at a later date, either under a forward commitment or under the Single Loan process, are subject to the programmatic, Tax Act compliance, and underwriting/property guidelines in effect when the loan is re-reserved.

Lenders may request BLOCK forward commitments on behalf of developers pursuant to this Program Bulletin commencing August 26, 2005. More detailed information on how to secure a BLOCK forward commitment, terms, commitment fees, transfer policies and similar information may be found in Chapter 4-B of the Lender Program Manual.

For questions about this bulletin, contact CalHFA Homeownership Programs by phone 916.324.8088; by fax 916.324.6589; by email at homeownership@calhfa.ca.gov and you can always visit CalHFA's web site at: www.calhfa.ca.gov

Please send all loan files and documents to:
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